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Competitive Strategy

Still another major type of change is in the basic competitive strategy of the organization. Examples of this strategy-centered approach include introduction of new products or services, entering new markets, use of new forms of marketing, initiation of Internet sales in addition to direct selling, forming alliances or joint ventures with other organizations, and modifying relationships with suppliers (e.g., partnering with a few reliable suppliers). Changes in strategy often require consistent changes in people, work roles, and technology. Unless these other changes occur, the strategy may fail.

Importance of Diagnosis

Many organizations implement generic change programs that are popular at the time, even if there is little or no empirical evidence that they are effective. Some examples of popular change programs during the past two decades include downsizing, delayering, reorganization (e.g., into small product divisions), total quality management, reengineering, self-managed teams, outsourcing, and partnering (e.g., with suppliers). A common mistake is to implement a generic change program without a careful diagnosis of the problems confronting an organization. A generic program is not likely to solve an organization's problems by itself, and it may make them worse (Beer et al., 1990). Before initiating major changes, leaders need to be clear about the nature of the problem and the objectives of the change program.

Just as in the treatment of a physical illness, the first step is a careful diagnosis to determine what is wrong with the patient. The organizational diagnosis can be conducted by the top management team, by outside consultants, or by a task force composed of representatives of the various key stakeholders in the organization. After the diagnosis is completed, an appropriate change program should be designed with complementary changes in roles, people, technology, and, if appropriate, the competitive strategy.

INFLUENCING ORGANIZATIONAL CULTURE

Large-scale change in an organization usually requires some change in the organization culture as well as direct influence over individual subordinates. By changing the culture of an organization, top management can indirectly influence the motivation and behavior of organization members. Research on organizational culture provides further insight into the dynamics of transformational leadership and the processes by which a leader's charisma may become institutionalized (see Chapter 9).

Nature of Organization Culture

Schein (1992) defines the culture of a group or organization as shared assumptions and beliefs about the world and their place in it, the nature of time and space, human nature, and human relationships. Schein distinguishes between underlying beliefs (which may be unconscious) and espoused values, which may or may not be consistent with these beliefs. Espoused values do not accurately reflect the culture when they are inconsistent with underlying beliefs. For example, a company may espouse open communication, but the underlying belief may be that any criticism or disagreement is detrimental and should be avoided. It is difficult to dig beneath the superficial layer of

espoused values to discover the underlying beliefs and assumptions, some of which may be unconscious.

The underlying beliefs representing the culture of a group or organization are learned responses to problems of survival in the external environment and problems of internal integration. The primary external problems are the core mission or reason for existence of the organization, concrete objectives based on this mission, strategies for attaining these objectives, and ways to measure success in attaining objectives. Most organizations have multiple objectives, and some of them may not be as obvious as others. Agreement on a general mission does not imply agreement about specific objectives or their relative priority. Schein (1992, p. 56) provides an example of a company with consensus about having a line of winning products but disagreement about how to allocate resources among different product groups and how to market the products:

> One group thought that marketing meant better image advertising in national magazines so that more people would recognize the name of the company, one group was convinced that marketing meant better advertising in technical journals, one group thought it meant developing the next generation of products, while yet another group emphasized merchandising and sales support as the key element in marketing. Senior management could not define clear goals because of a lack of consensus on the meaning of key functions and how those functions reflect the core mission of the organization.

All organizations need to solve problems of internal integration as well as problems of external adaptation. Objectives and strategies cannot be achieved effectively without cooperative effort and reasonable stability of membership in the organization. Internal problems include the criteria for determining membership in the organization, the basis for determining status and power, criteria and procedures for allocating rewards and punishments, an ideology to explain unpredictable and uncontrollable events, rules or customs about how to handle aggression and intimacy, and a shared consensus about the meaning of words and symbols. The beliefs that develop about these issues serve as the basis for role expectations to guide behavior, let people know what is proper and improper, and help people maintain comfortable relationships with each other.

A major function of culture is to help us understand the environment and determine how to respond to it, thereby reducing anxiety, uncertainty, and confusion. The internal and external problems are closely interconnected, and organizations must deal with them simultaneously. As solutions are developed through experience, they become shared assumptions that are passed on to new members. Over time, the assumptions may become so familiar that members are no longer consciously aware of them.

Primary Ways to Influence Culture

Leaders can influence the culture of an organization in a variety of ways. According to Schein (1992), five primary mechanisms offer the greatest potential for embedding and reinforcing aspects of culture (see Table 10–1).

1. **Attention.** Leaders communicate their priorities, values, and concerns by their choice of things to ask about, measure, comment on, praise, and criticize. Much of this communication occurs when the leader is planning activities and monitoring

TABLE 10–1 How Leaders Shape Culture

Primary mechanisms:

What things are attended to by the leader
Ways of reacting to crises
Role modeling
Criteria for allocating rewards
Criteria for selection and dismissal

Secondary mechanisms:

Design of management systems and procedures
Design of organization structure
Design of facilities
Stories, legends, and myths
Formal statements

Based on Schein (1992).

operations. Emotional outbursts by leaders have an especially strong effect in communicating values and concerns. In contrast, by not paying attention to something, a leader sends the message that it is not important.

2. **Reactions to Crises.** Because of the emotionality surrounding crises, a leader's response to them can send a strong message about values and assumptions. A leader who faithfully supports espoused values even when under pressure for expedient action communicates clearly that the values are really important. For example, one company with lower sales avoided layoffs by having all employees (including managers) work less hours and take a pay cut; the decision communicated a strong concern for preserving employee jobs.
3. **Role Modeling.** Leaders can communicate values and expectations by their own actions, especially actions showing loyalty, self-sacrifice, and service beyond the call of duty. A leader who institutes a policy or procedure but fails to act in accordance with it is communicating the message that it is not really important or necessary.
4. **Allocation of Rewards.** The criteria used as the basis for allocating rewards signal what is valued by the organization. Formal recognition in ceremonies and informal praise communicate a leader's concerns and priorities. Failure to recognize contributions and achievements sends a message that they are not important. Finally, differential allocation of rewards and status symbols affirms the relative importance of some members compared to others. For example, in comparison to companies in the United States, Japanese companies use far fewer status symbols and privileges of rank such as large offices, special dining rooms, and private parking spaces.
5. **Criteria for Selection and Dismissal.** Leaders can influence culture by their choice of criteria for recruiting, selecting, promoting, and dismissing people. Leaders also communicate their values and concerns by providing realistic information about the criteria and requirements for success in the organization.

Secondary Ways to Influence Culture

In addition to the five primary mechanisms, Schein described five secondary mechanisms that are useful for embedding and reinforcing culture when they are consistent with the primary mechanisms.

1. **Design of Systems and Procedures.** Formal budgets, planning sessions, reports, performance reviews, and management development programs can be used to emphasize some activities and criteria, while also helping to reduce role ambiguity. A preference for formality reflects strong values about control and order.
2. **Design of Organization Structure.** The design of structure is often influenced more by assumptions about internal relationships or implicit theories of management than by actual requirements for effective adaptation to the environment. A centralized structure reflects the belief that only the leader can determine what is best, whereas a decentralized structure or the use of self-managed teams reflects a belief in individual initiative and shared responsibility.
3. **Design of Facilities.** Although seldom done as an intentional strategy, leaders can design facilities to reflect basic values. For example, an open office layout is consistent with a value for open communication. Having similar offices and the same dining facilities for all employees is consistent with egalitarian values.
4. **Stories, Legends, and Myths.** Stories about important events and people in the organization help transmit values and assumptions. However, stories and myths are more a reflection of culture than a determinant of it. The potential use of this mechanism by leaders to influence culture is very limited in any organization or society where open communication makes it possible to detect a false story. To be useful the story must convey a clear message about values, and it must describe a real event.
5. **Formal Statements.** Public statements of values by the leader and written value statements, charters, and philosophies can be useful as a supplement to other mechanisms. However, formal statements usually describe only a small portion of an organization's cultural assumptions and beliefs, and they have no credibility unless the words are supported by leader actions and decisions.

Cultural Forms

Another way to influence the culture is to change cultural forms such as symbols, slogans, and rituals (Trice & Beyer, 1993). A number of different changes are possible, including elimination of existing cultural forms that symbolize the old ideology, modification of existing cultural forms to express the new ideology, and creation of new cultural forms. The following description of changes in the United States Postal Service provides some examples (Biggart, 1977).

> When Winton Blount became the new Postmaster General in 1972, he initiated a number of changes to signal a new ideology which emphasized efficiency, competitiveness, and self-sufficiency rather than service at any cost and dependence on Congress. Changes in symbols included a new name for the post office, a new logo (an eagle poised for flight rather than Paul Revere riding a horse), new postal colors, and a new typeface for publications. The employee newsletter was drastically changed from a media for disseminating trivial information to a vehicle for advocating the new ideology and celebrating the success of local post offices that achieved the new efficiency standards. An advertising office was created to promote a new image for the postal service, and a training institute was established to train thousands of postal supervisors each year in management procedures consistent with the new ideology.

Rituals, ceremonies, and rites of passage can be used to strengthen identification with the organization as well as to emphasize core values. In many organizations new members are required to make a public oath of allegiance, to demonstrate knowledge of the ideology, or to undergo an ordeal to demonstrate loyalty. Also common are ceremonies to celebrate a member's advancement in rank, to inaugurate a new leader, and to acknowledge the retirement of a member. Formal orientation programs can be used to socialize new employees and teach them about the culture of an organization. Formal training programs designed to increase job skills can also be used to teach participants about the ideology of the organization. Other approaches for socialization of new members include use of formal mentors who are selected because they are able to model and teach key values, and the use of internships, apprenticeships, or special assignments to work in subunits of the organization where the culture is very strong (Fisher, 1986).

Culture and Growth Stages of Organizations

The influence of a leader on the culture of an organization varies depending on the developmental stage of the organization. The founder of a new organization has a strong influence on its culture. The founder typically has a vision of a new enterprise and proposes ways of doing things that, if successful in accomplishing objectives and reducing anxiety, will gradually become embedded in the culture. However, creating culture in a new organization is not necessarily a smooth process; it may involve considerable conflict if the founder's ideas are not successful or other powerful members of the organization have competing ideas. To succeed, the founder needs an appropriate vision and the ability and persistence to influence others to accept it. If the founder does not articulate a consistent vision and act consistently to reinforce it, the organization may develop a dysfunctional culture reflecting the inner conflicts of the founder (Kets de Vries & Miller, 1984).

One of the most important elements of culture in new organizations is the set of beliefs about the distinctive competence of the organization that differentiates it from other organizations. The beliefs are likely to include the reason why the organization's products or services are unique or superior and the internal processes that account for continued ability to provide these products and services. Implications for the relative status of different functions in the organization and the strategies for solving crises differ depending on the source of distinctive competence. For example, in a company that is successful due to its development of innovative products, the research and development function is likely to have higher status than other functions, and the likely response to a recent decline in sales is to introduce some new products. In a company that has been able to provide a common product at the lowest price, manufacturing will have higher status, and the response to a decline in sales is likely to involve the search for ways to reduce costs below those of competitors.

The culture in young, successful organizations is likely to be very strong because it is instrumental to the success of the organization, the assumptions have been internalized by current members and transmitted to new members, and the founder is still present to symbolize and reinforce the culture. In such an organization, the culture will evolve slowly over the years as experience reveals that some assumptions need to be modified. Eventually, as the organization matures and people other than the founder or family members occupy key leadership positions, the culture will become more unconscious and less uniform. As different subcultures develop in different subunits,

conflicts and power struggles may increase. Segments of the culture that were initially functional may become dysfunctional, hindering the organization from adapting to a changing environment.

In general, it is much more difficult to change culture in a mature organization than to create it in a new organization. There are several reasons for this difficulty. Many of the underlying beliefs and assumptions shared by people in an organization are implicit and unconscious. Cultural assumptions are also difficult to change when they justify the past and are a matter of pride. Moreover, cultural values influence the selection of leaders and the role expectations for them. In a mature, relatively prosperous organization, culture influences leaders more than leaders influence culture. Drastic changes are unlikely unless there is a major crisis threatening the welfare and survival of the organization. Even with a crisis, it takes considerable insight and skill for a leader to understand the current culture in an organization and implement changes successfully.

DEVELOPING A VISION

The research on charismatic and transformational leadership indicates that a clear and compelling vision is very useful to guide change in an organization (see Chapter 9). Before people will support radical change, they need to have a vision of a better future that is attractive enough to justify the sacrifices and hardships the change will require. The vision can provide a sense of continuity for followers by linking past events and present strategies to a vivid image of a better future for the organization. The vision provides hope for a better future and the faith that it will be attained some day. During the hectic and confusing process of implementing major change, a clear vision helps to guide and coordinate the decisions and actions of thousands of people working in widely dispersed locations.

Desirable Characteristics for a Vision

A number of writers have attempted to describe the essential qualities of a successful vision (Bennis & Nanus, 1985; Kotter, 1996; Kouzes & Posner, 1995; Nanus, 1992; Tichy & Devanna, 1986). A vision should be simple and idealistic, a picture of a desirable future, not a complex plan with quantitative objectives and detailed action steps. The vision should appeal to the values, hopes, and ideals of organization members and other stakeholders whose support is needed. The vision should emphasize distant ideological objectives rather than immediate tangible benefits. The vision should be challenging but realistic. To be meaningful and credible, it should not be a wishful fantasy, but rather an attainable future grounded in the present reality. The vision should address basic assumptions about what is important for the organization, how it should relate to the environment, and how people should be treated. The vision should be focused enough to guide decisions and actions, but general enough to allow initiative and creativity in the strategies for attaining it. Finally, a successful vision should be simple enough to be communicated clearly in five minutes or less.

Elements of a Vision

Vision is a term used with many different meanings, and there is widespread confusion about it. It is unclear whether a mission statement, strategic objective, value statement, or slogan constitutes an effective vision. In the absence of direct research on